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Ad Hoc Working Group on Investment and
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Finance for Development: New
Mechanisms for Increasing Investment
and Financial Flows
First session
Geneva, 9 November 1992
Item 6 of the provisional agenda

DRAFT REPORT OF THE AD HOC WORKING GROUP ON INVESTMENT AND FINANCIAL FLOWS: NON-DEBT-CREATING FINANCE FOR DEVELOPMENT: NEW MECHANISMS FOR INCREASING INVESTMENT AND FINANCIAL FLOWS ON ITS FIRST SESSION

Held at the Palais des Nations, Geneva,
from 9 to 13 November 1992

Rapporteur: Mr. R. Serrano (Mexico)

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INTRODUCTION

1. The Ad Hoc Working Group on Investment and Financial Flows; Non-debt-creating Finance for Development: New Mechanisms for Increasing Investment and Financial Flows, established in accordance with paragraph 79 of the Cartagena Commitment, held its first session at the Palais des Nations, Geneva, from 9 to 13 November 1992. In the course of the session, the Ad Hoc Working Group held ... plenary meetings. [1]

Opening statement

2. The Deputy Secretary-General of UNCTAD noted that, in recent years, many developing countries and countries in transition to a market economy had considerably improved their policy and regulatory framework in order to attract foreign investment and to encourage the return of flight capital. The more favourable investment climate had led to a strong recovery in the volume of FDI flows. At the same time, greater emphasis was being placed on FDI as an international policy issue. Another significant development was the growing use of financial instruments, such as portfolio investment, debt-equity swaps, asset-based finance and commodity-linked financing.

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[1] For the terms of reference of the Ad Hoc Working Group, see Trade and Development Board decision 398 (XXXVIII), annex, section C.

Unfortunately, these welcome developments had not affected all countries. Over the past 10 years, half of all FDI flows to developing countries had gone to the five largest recipients, and 90 per cent to as few as 20 countries. The other non-debt-creating instruments showed a similar degree of concentration. This situation raised some fundamental questions. What lessons could be learned from the experience of countries that had been successful in enhancing the quantity and quality of FDI? What were the main causes of the difficulties faced by many developing countries in attracting FDI? What were the prospects and policy requirements for reversing current trends and assuring stability in FDI flows?

3. The immediate objective for the first session of the Ad Hoc Working Group was the establishment of the work programme, and because of the limited time and resources available, choices would have to be made and priority issues selected. The Group was also expected to decide on the time-table for future sessions, the possible setting-up of expert groups, requests for contributions from the UNCTAD secretariat, national experts, non-governmental actors and international institutions, as well as technical cooperation requirements.

4. With regard to participation in the work of the Ad Hoc Working Group, there seemed to be scope for encouraging greater representation of developing countries, and in view of the unavailability of funds to cover the travel expenses of experts from some developing countries, he appealed to donor countries to establish adequate trust fund arrangements for that purpose, at least for the benefit of LDCs.

Chapter I

ESTABLISHMENT OF THE WORK PROGRAMME OF THE WORKING GROUP

(Agenda item 3)

5. For its consideration of this item, the Ad Hoc Working Group had before it the following documentation:

"Issues for consideration in the establishment of the work programme: note by the UNCTAD secretariat" (TD/B/WG.1/2).

6. At its 1st plenary meeting, on 9 November 1992, the Ad Hoc Working Group decided to discuss agenda item 3 in informal meetings.

[To be completed]

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

7. The first session of the Ad Hoc Working Group was opened on 9 November 1992 by the Deputy Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

8. The Deputy Secretary-General of UNCTAD recalled that, at its first pre-sessional executive session, the Board had agreed that the rules of procedure of main committees of the Trade and Development Board should be applied to Ad Hoc Working Groups, albeit in as flexible a manner as possible. It had also been agreed that the officers of the Ad Hoc Working Groups should be elected in accordance with the applicable rules of procedure, taking into account the principle of equitable geographical distribution. Furthermore, at the closing plenary of the first part of the thirty-ninth session of the Trade and Development Board, it had been decided that, as

far as the Ad Hoc Working Groups were concerned, the Chairman and members of the Bureau, once elected at the beginning of the initial session, would remain in office for the duration of the life of the Ad Hoc Working Group, and that prior consultations would be held in order to facilitate the election of the Bureau of each of the Ad Hoc Working Groups. Such consultations had been held on 9 November.

9. At its 1st plenary meeting on 9 November 1992, the Ad Hoc Working Group elected its officers as follows:

Chairman:	Mr. J.P. Humer (Netherlands)
Vice-Chairmen:	Mr. M.M. Rahman (Bangladesh)
	Mr. L. Amaral Lopez (Brazil)
	Mr. G. Blehy (Cote d'Ivoire)
	Mr. Y. Stype (Poland)
	Mrs. E. Shelton (United States of America)
Rapporteur:	Mr. R. Serrano (Mexico)

C. Adoption of the agenda and organization of work

(Agenda item 2)

10. At its 1st plenary meeting, on 9 November 1992, the Ad Hoc Working Group adopted its provisional agenda (TD/B/WG.1/1), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Establishment of the work programme of the Working Group

4. Provisional agenda for the second session of the Working Group

5. Other business

6. Adoption of the report of the Working Group to the Board.

D. Provisional agenda for the second session of the Working Group

(Agenda item 4)

[To be completed]

E. Other business

(Agenda item 5)

[To be completed as necessary]

F. Adoption of the report of the Working Group to the Board

(Agenda item 6)

[To be completed]